AVALAND BERHAD

Sustainability Sukuk Framework

20 May 2024

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1.0. Background

Avaland Berhad's ("**Avaland**" or the "**Group**", formerly known as MCT Berhad) transformation into a pure property developer follows an internal restructuring and rebranding, after its acquisition by Ayala Land Inc. ("**Ayala Land**") in February 2018. Prior to the entry of Ayala Land and the transformation exercise, the Group was also involved in construction work.

Ayala Land strives to be at the forefront of embedding sustainability practices in all its offerings as it fulfils its vision of enhancing land and enriching lives. This approach is key to creating long-term economic, environmental, and social value for their stakeholders. They effectively made sustainability the blueprint by which every Ayala Land development is designed — to continuously enhance land and enrich the lives of more people.

Avaland holds strong to its vision of being an Innovative & Timeless Value Creator. Its brand purpose of 'Rediscovering Possibilities' is about bringing a positive change by creating communities and enhancing lives for generations where people enjoy a complete lifestyle experience.

Through the sustainability principles embraced by Ayala Land and valuable knowledge transfer, we efficiently crafted our very own sustainability roadmap and agenda - steered by the Group's Sustainability Framework, Environmental Policy, Strategic Roadmap and Materiality Matters. Sustainability is one of our key transformation pillars as we integrate sustainable practices into our business and operations.

The Group's sustainability agenda is guided by various international sustainability focused instruments, such as; Ten Principles of the United Nations Global Compact (UNGC), the subsequent United Nations Sustainable Development Goals 2030 (SDG's 2030) announced in 2015, the Paris Climate Agreement 2015, the Global Reporting Initiative (GRI-ISO) and international environmental, Bursa Malaysia, FTSE4Good and Global Real Estate Sustainability Benchmark (GRESB).

Our primary goal is to create an environment that provides holistic needs of our stakeholders. Consistent with Our Mission: *"Creating Communities, Enhancing the Life for Generations Where People Enjoy a Complete Lifestyle Experience";* we intend to nurture a sustainable, resilient, and vibrant community that will benefit current and future generations.

Avaland is committed to ensuring all its future projects are to be Green Building-certified. We define green projects as developments that focuses on boosting resource efficiency, while reducing impact on human health and the environment during the buildings' life cycle through better design, construction, operation, and maintenance.

Green strategies include ensuring all projects that are being built are Green Building-certified, ensuring environmental implementation and control during collection of data regarding energy and water consumption, waste diversion according to set targets in alignment with Avaland's targets. We aim to have all projects launched from 2022 onwards to be certified as green buildings by Green Real Estate (GreenRE) Malaysia.

Our journey towards sustainable development has progressed in tandem with our ongoing transformation programme, which we have implemented in the past few years. In FY2021, we took measures to strengthen our governance system further. In FY2022, we performed a benchmarking and gap analysis to assess our level of performance against our industry peers and sustainability best practices. We implemented a top-down sustainability governance structure to demonstrate Avaland's accountability and to ensure that our sustainable strategy is implemented across our entire organisation.

In FY2023, we established our Sustainability Key Focus Areas towards a more structured approach in embarking towards Environmental, Social and Governance (ESG) issues. We also effectively launched Avaland's Project Green Plan (PGP) – that reflects our commitment in ensuring all new projects to be Green Building certified.

In September 2023, the Group launched a Sustainability Roadmap to reinforce its commitment to integrating sustainable and eco-friendly features into its developments. These include an efficient air-conditioning mechanism, water-efficient sanitary wares, and green cement. The PGP is a structured design mechanism that enables specific GreenRE certified target ratings as below:

Type of Projects	Target Certification
Luxury Development	GreenRE Platinum
Premium (mid-range) Development	GreenRE Gold or Silver
Affordable Development	GreenRE Bronze

Seven (7) Avaland projects have received Green Building provisional certificates from GreenRE namely Aetas Damansara (Platinum rated), Aetas Seputeh (Platinum rated), Alora Residences (Gold rated), Amika Residences (Gold rated), Alira Subang Jaya (Silver rated), Sanderling (Bronze rated) and Casa Embun (Bronze rated).

In December 2023, Avaland was included as a constituent of the FTSE4Good Bursa Malaysia and FTSE4Good Bursa Malaysia Shariah Indexes with a three (3)-star ESG grading. The Group's suppliers are internally assessed for compliance with the Group's environmental, health and safety standards as well as human rights requirements. Additionally, social strategies will include providing customer service and community engagement at our developments. These initiatives include managing and monitoring the implementation of our supplies at the construction sites. This is evident in one of our development projects, PR1MA Lakefront Homes, which was awarded the Best Managed and Sustainable Property, furthermore we received the Starter Home Award, which recognises development works that cater to first-time home buyers by underscoring value for money without discounting quality and aesthetics. In addition to the above, we won the Landscape Development Award, which considers the beauty aspect of the landscaping and how the landscape will benefit the environment and the people.

In our effort to ensure sustainability practices are embedded into our day-to-day business planning and operations, Avaland has established a sustainability governance structure for decision-making processes, overseeing sustainability performance and the implementation of sustainability actions and strategies across our group of companies.

Our objectives include but not limited to the following:

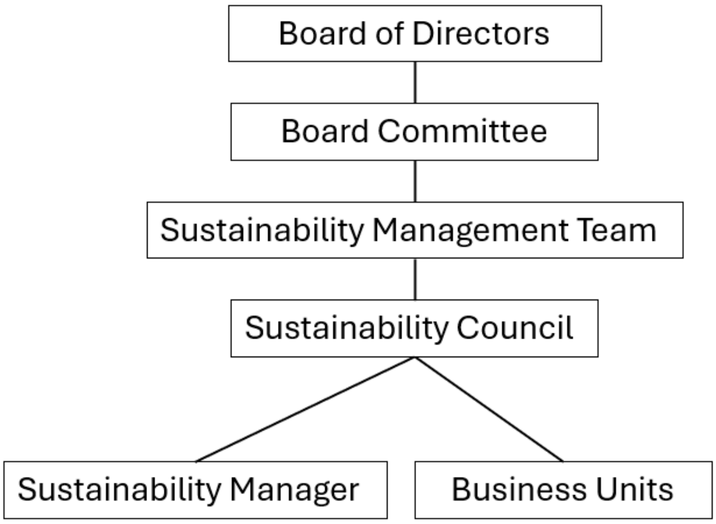
(i) Promote energy efficiency and the usage of renewable energy to reduce the greenhouse gas emissions;

(ii) Encourage the conservation of the natural landscape;

(iii) Improve the quality of life in society by offering quality green buildings at affordable pricing; and

(iv) Provide and improve the infrastructure arrangement.

In line with our efforts, the Group has adopted a Sustainability Governance structure which consists of the Board of Directors ("**BOD**"), the Board Committee, the Sustainability Management Team ("**SMT**") and the Sustainability Council. This ensures that adequate resources are allocated for realising our sustainability goals and that every level of the organisation contributes to this endeavour. The Board and the SMT jointly oversee the management of the Group's sustainability direction. Part of their tasks is to set sustainability strategies, priorities, and targets.



The responsibilities and the tasks are as follows:

Parties		**Responsibilities**
BOD	**:**	Mainly in charge of supervising the organisation's sustainability direction • Prioritises the Group's sustainability agenda. • Ensures that sustainability is integrated into the business strategy. • Approves and reviews the sustainability targets and performance. • Keeps informed of all sustainability issues relevant to the company, particularly risks and opportunities, to support long-term strategy and success.

Board Committee	:	• Advises the Board and recommends sustainability strategies that will be beneficial to the Group and the stakeholders. • Monitors the implementation of sustainability strategies as approved by the Board. • Recommends to the Board sustainability-related policies for adoption and monitors their implementation. • Recommends to the Board for its approval sustainability matters identified as material. • Oversees the management of sustainability matters, particularly those deemed material to the organisation. • Oversees the preparation of sustainability disclosures as required by laws and/ or rules and recommends them for the Board's approval.
SMT	:	Drives the strategic management of material sustainability matters under the leadership of the CEO. The SMT performs its duties with the assistance of the Key Management Team and the Risk Management Department ("**RMD**"). The SMT is responsible for aligning the Group's sustainability strategies with long-term business growth and goals. The RMD is tasked with identifying and addressing principal business risks and significant/ material sustainability risks. • Sets sustainability targets and monitor progress. • Addresses sustainability matters using strategies approved by the Board. • Appraises and evaluates the sustainability performance. • Identifies issues that may require intervention. • Reports and make recommendations to the Board.
Sustainability Council	:	Headed by the sustainability manager and consisting of representatives from business units and the ESG Task Force. The sustainability manager coordinates and works closely with the SMT and Sustainability Council. • Supports strategic decisions and oversees developing, implementing, monitoring, and improving sustainability initiatives. • Makes sure that sustainability is integrated into every aspect of the organisation. • Reviews the progress of the sustainability measures against the targets. • Reports their findings to the SMT.

2.0 Sustainability Sukuk Framework

This Sustainability Sukuk Framework (“**Framework**”) is established by Avaland to set out the guidelines for the proposed establishment of the Green, Social or Sustainability Sukuk under the Islamic Medium Term Notes Programme of up to RM1.0 billion in nominal value established or to be established by Avaland ("**Sukuk Programme**").

This Framework will ensure transparency, disclosure and integrity for the proposed issuance of Green, Social or Sustainability Sukuk under the Sukuk Programme. Avaland intends to apply the best market practices as the standards develop from time to time.

Avaland's Framework is not only about growth, but it is about Economic and ESG aspects which impact its overall business and operations. Sustainability at Avaland is guided with the highest level of decision making which is aligned to the Group's Mission. Our key focus areas are as follows:

SUSTAINABILITY KEY FOCUS AREAS

1 SITE RESILIENCE

Undertaking technical due diligence to screen environmental risks

Enhancing biodiversity with native plants and species protection

Permeable green spaces for effective rainwater absorption

2 RESOURCE EFFICIENCY

Energy & water efficient product

Aligning with industry best practice to utilize raw-water withdrawal

Commitment to reduce carbon emission in supporting Government initiatives.

3 PEOPLE MOBILITY & CONNECTIVITY

Age-friendly circulation & walkway

Access and connectivity to the Public Transport network

Embrace 'Design for Safety' in construction and operations

4 LOCAL ECONOMIC DEVELOPMENT

Investing in employment and training

Prioritizing local supply chain and purchasing

Social and community engagement in improving well-being

ALIGNMENT WITH THE SUSTAINABLE DEVELOPMENT GOALS (UN SDGs)

MATERIALITY MATTERS

Direct Economy Contribution; Indirect Economy Contribution; Sustainable Procurement		**ECONOMY**	**ENVIRONMENTAL**	Waste & Resource Management; Biodiversity Management; Water Management; Climate Change	
Health & Safety; CSR; Customer Satisfaction; Labour Management		**SOCIAL**	**GOVERNANCE**	Legal Compliance & Transparency; Cybersecurity	

STAKEHOLDERS ENGAGEMENT

Contractors/Suppliers

Government

Community

Shareholders/Investor

Customer

Employee

This Framework is developed upon the following standards, guidelines, or frameworks, as amended from time to time:

(a) the Sustainable and Responsible Investment Sukuk ("**SRI Sukuk**") Framework pursuant to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued on 9 March 2015 and revised on 5 February 2024, as amended from time to time;

(b) ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards, issued by the ASEAN Capital Markets Forum;

(c) Sustainability Bond Guidelines, Green Bond Principles, Social Bond Principles, issued by the International Capital Market Association; and

(d) such other guidelines or frameworks or standards, whether having the force of law, in relation to SRI Sukuk/ sustainability/ green/ social Sukuk bonds issued from time to time.

Collectively referred to as "**Standards**".

The Framework covers the following core principles:

(i) Use of proceeds;

(ii) Project evaluation and selection;

(iii) Management of proceeds; and

(iv) Reporting.

The Framework governs the Sukuk issuance under the Sukuk Programme by Avaland. It shall include the following Sukuk issuance:

(i) ASEAN Green SRI Sukuk to finance and/ or refinance Eligible Green Assets;

(ii) ASEAN Social SRI Sukuk to finance and/ or refinance Eligible Social Assets; or

(iii) ASEAN Sustainability SRI Sukuk to finance and/ or refinance a mix Eligible Green Assets and Eligible Social Assets.

Hereinafter referred to any of the above as "**Proposed Sukuk Issuance**".

3.0 Use of Proceeds

The impact of Use of Proceeds is conducted in the context of the United Nations' Sustainable Development Goals ("**UNSDG**"). As a globally accepted guidepost for transition to sustainable development, the UNSDGs serve as a useful framework of reference for project impact analysis.

The major objective of the Framework is to set the guidelines for the company's future fundraising through sustainable debt instruments, including green/ social/ sustainability sukuk and green/ social loans/ financings.

The proceeds from the respective financing instruments will be utilised to support the transition towards a more inclusive, resource-efficient economy that is aligned to the UNSDGs and the circular economy concept.

The proceeds from the Proposed Sukuk Issuance ("**Sukuk Proceeds**") shall be used to finance or refinance Eligible Assets that fall under one of the Eligible Categories defined below and to pay all the related fees, costs and expenses of the Eligible Assets, all of which shall be Shariah compliant.

3.1 Eligible Assets

Eligible Assets may include:

(i) Property development project(s) undertaken by Avaland which fall into the Eligible Categories as mentioned in clause 3.2 below ("**Qualified Development Project(s)**");

(ii) Existing borrowings or financing facilities which have been utilised to fund the Qualified Development Project(s); and

(iii) Avaland's own operating or capital expenditures for which the use of proceeds falls into the Eligible Categories.

The main goal of this Framework is to set forth the principles under which Avaland intends to issue its financial instruments. The Sukuk Proceeds will be utilised for the Eligible Assets that comply with any of the following eligible criteria as outlined below, subject to the Exclusion List in 3.3.

3.2 Eligible Criteria for the Utilisation of the Sukuk Proceeds ("Eligible Categories"):

Eligible SRI Projects	Description & Alignment with UN SDGs
Green Building	Commitment for all new residential projects to be certified by GreenRE. This is in-line with the Group's goal of creating energy efficient and environmentally friendly development. Green Building also promotes improved indoor air quality, enhanced health and well-being as well as increased property value. Certification target is based on product categories as below: ✓ AVA LUXE (Luxury)- GreenRE Platinum (Score of 91 and above) ✓ AVA Prime (Premium) – GreenRE Gold/ Silver (Score of 77 to 90) ✓ AVA Ria (Affordable) – GreenRE Bronze (Score 50 to 75) The Green Building score is assessed based on the six (6) following parts: Part 1 – Energy Efficiency Part 2 – Water Efficiency Part 3 – Sustainable Operation & Management Part 4 – Indoor Environmental Quality Part 5 – Other Green Feature Part 6 – Carbon Emission of Development Avaland has established the PGP based on the above standards to ensure targets/ goals can be achieved prior to implementation.

	7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES
Biodiversity Conservation	Environmental stewardship in improving urban biodiversity at all projects/ developments. In line with the Group's Sustainability Focus Area: Site Resilience; we have created specific blueprint in enhancing and integrating native tree planting and species protection. Native plants require less water, less fertilizer and effectively easier to maintain. Apart from providing food and shelter to local wildlife; native trees have better chance of survival due to their adaptive nature. The green spaces within our township feature water body that help to shape a balance biodiversity ecosystem. Integration of urban green park within our development utilizes natural design element - trees, lakes and swale that absorb rainwater and effectively prevent floodings. The green spaces not only strengthen the climate resilience; but also combating pollution, protecting soil and promotes spiritual health as well as social well-being. Eventually, the utilization of proceeds shall be leveraged on the followings: ▪ Soil analysis and treatment in promoting diverse planting initiatives. ▪ Remediation of contaminated soil - Reduce tree-associated ectomycorrhizal fungi in urban systems that causes leaching, reduced plant growth and health. ▪ Development of research facilities for continuous learning and biodiversity improvement by having potential collaborations with Forest Research Institute Malaysia (FRIM), Malaysian Green Technology & Climate Change Corporation (MGTC) and etc.). ▪ Adopt more Green Infrastructures – invest and provide training within the communities to learn and develop urban farming, community gardens to enhance vegetation diversity as well as provide complementary training to develop and cultivate in-house arborists. ▪ Water treatment to the lake and water body to ensure optimal compliances towards acceptable diversity in aquatic ecosystem and develop 'aquaculture' as initiatives to protect marine biodiversity. 14 LIFE BELOW WATER 15 LIFE ON LAND

Affordable Housing	Guided by the statutory requirement (PR1MA, Rumah Selangorku, RumaWIP etc), we are committed to develop affordable units/ products for the mass market. This would uplift the economy of B40 community under the affordable housing programs. We have created a designated brand architecture specifically to meet the affordable criteria called AvaRia, which is also Green Building certified. This initiative addresses issues surrounding housing affordability.   
Climate Change	We are committed to align our reduction of emission to align with the national target of 45% reduction in 2030 and net zero in 2050. Our effort to improve urban biodiversity is partly to boost the carbon sequestration initiatives to absorb CO_2 within our development. We have commenced tracking of greenhouse gas (GHG) inventories and effectively established our baseline emission. We are exploring every opportunity that eradicates our reliance on fossil fuels by transitioning into greener energy sources such as solar energy which is clean and renewable without emitting gasses that leads to global warming and climate change. The utilization of proceeds shall be leveraged on the following Renewable Energy initiatives, such as but not limited to: (i) Solar Township Model ▪ Installation of photovoltaic (PV) solar panels at the roof areas at all projects. ▪ Generate energy/ electricity that will reduce direct reliance from the TNB supply. ▪ Homeowners can benefit in substantial savings and reduction to the monthly utility bills. ▪ Reduction of electricity cost for common areas (strata development), lesser maintenance charge. ▪ Participation in the national solar program such as Net Energy Metering (NEM) as regulated by Sustainable Energy Development Authority (SEDA). 

3.3 Exclusion Criteria List

The exclusion criteria of the proceeds include the following:

(i) Financing of luxury sectors (e.g. precious metals/ precious minerals/ artworks and antiques wholesale or brokerage);

(ii) Child labour or forced labour;

(iii) Gambling, gaming business, adult entertainment and any prohibited trade;

(iv) Fossil-fuel related activities (including extraction, exploration, production, power generation or transport of fossil fuels);

(v) Weapons and military contracting;

(vi) Alcohol and tobacco;

(vii) Nuclear energy and nuclear related assets;

(viii) Production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans; and

(ix) Largescale hydro-power projects with a generating capacity of over 25 megawatts.

Avaland will, if necessary, undertake necessary processes to identify and manage potentially material environmental and social risks associated with the Eligible Assets.

Notes:

(1) The above includes exclusions that are not currently relevant to the business. However, they are included for clarity and compliance to the standards and guidelines related to the Proposed Sukuk issuance.

(2) Any loans/financing/ assets/ projects which are not Shariah-compliant are also excluded from the utilisation of the proposed Sukuk Proceeds.

4.0 Process for Project Evaluation and Selection

Avaland will be responsible for assessing the environmental visibility of the Eligible Assets and establishing appropriate internal criteria.

The strategic direction for sustainability at Avaland is guided by Avaland's PGP, led and assigned by our Sustainability Governance structure for any implementation of any sustainability exercise, which includes approval for the Eligible Assets to be funded by the Sukuk Proceeds under the Framework.

The step-by-step process for evaluation and selection of Eligible Assets is as follows:

(a) review and validation of the proposed assets in accordance with the guiding principles for selection of Eligible Assets for the use of Sukuk Proceeds;

(b) evaluate the proposed Eligible Assets against the Framework;

(c) submit recommendation to the BOD and/ or the Board Committee for approval on the selection of the Eligible Assets, with joint support from the SMT based on the proposal from the Sustainability Council; and

(d) monitor the Eligible Assets portfolio during the life of the transaction. Avaland can decide to replace an Eligible Assets if it no longer meets the eligibility criteria by going through steps (a) to (c) above.

Avaland adopts a stringent project evaluation and selection process to ensure professionalism, transparency and integrity are incorporated into the selection process.

5.0 Management of Proceeds

The Sukuk Proceeds from the Proposed Sukuk Issuance shall be allocated to a portfolio of Eligible Assets selected as per the evaluation and approval process set out above. The Sukuk Proceeds will be tracked by the Issuer in an appropriate manner and attested to by a formal internal process linked to the Issuer's operations.

Any unutilised Sukuk Proceeds will be invested into the following Shariah-compliant investment products approved by the Shariah Advisory Council ("**SAC**") of the Securities Commission ("**SC**") and/ or the SAC of Bank Negara Malaysia ("**BNM**") and/ or such other recognised Shariah authorities from time to time ("**Permitted Investment**") until the amount can be utilised for the Eligible Assets:

(i) Islamic treasury bills, Islamic money market instruments and sukuk which are guaranteed by the Government of Malaysia; or

(ii) Investments in Islamic money market instruments, such as deposits, overnight repos/ deposits or its equivalent, certificate of deposits, bankers acceptances of depository institutions having, at the time of investment, a minimum debt rating of A1/ P1 from the Credit Rating Agency; or

(iii) Investments in Islamic treasury bills, Islamic money market instrument and sukuk issued in Malaysia having, at the time of investment, a minimum debt rating off AA3/ P1 from Credit Rating Agency.

The Permitted Investments shall be denominated in Ringgit Malaysia and such funds utilised for the Permitted Investments including its profits/ returns shall be remitted into the relevant accounts. The Permitted Investments shall not include any investments in the Exclusion Criteria List.

For detailed information on the accounts related to the Sukuk Programme, please refer to the Principal Terms and Conditions of this issuance which is publicly available on BNM's Fully Automated System for Issuing/ Tendering (FAST) website and the Bond and Sukuk Information Exchange (BIX) website.

During the tenure of the Proposed Sukuk Issuance, if any of the Eligible Assets in respect to that particular Proposed Sukuk Issuance fail to fall into the Eligible Categories, Avaland will re-allocate the proceeds to other Eligible Assets as soon as reasonably practicable.

6.0 Reporting

Avaland is committed to transparent reporting of the Proposed Sukuk Issuance and its sustainability efforts. The Framework and an annual sustainability report will be made publicly available on Avaland's corporate website (https://avaland.com.my/) at the time of issuance and throughout the tenure of the Proposed Sukuk Issuance and may include the following information (where applicable):

(a) Summary:

(i) List of all Proposed Sukuk Issuance(s) executed in the reporting period and outstanding as of the reporting date and summary terms of each transaction. Key information to be provided will include issuance date, principal amount of proceeds, maturity date, and profit payment etc.

(b) Allocation Reporting:

(i) the original amount allocated for the Eligible Assets.

(ii) the amount utilised for the Eligible Assets.

(iii) the unutilised amount and where such unutilised amount is placed or invested pending utilisation.

(c) Impact Reporting:

(i) Where relevant and possible, Avaland will report on the list of the Eligible Assets which the Sukuk Proceeds have been allocated to and a brief description of the said Eligible Assets and their impact or expected impact, including the key underlying methodology or assumption used to determine the impact or expected impact. Avaland strives to conceptualise quantitative targets to manage environmental and social metrics in the near future.

Each annual sustainability report will be reviewed by the BOD before publication.

7.0 External Review

Avaland has appointed RAM Sustainability Sdn. Bhd. as an independent party to provide a Second Party Opinion Report ("**SPO**") on the alignment of this Framework to the Standards. The SPO will be done on a one-off basis prior to the first issuance under the Sukuk Programme unless there are material changes to this Framework and if required throughout the tenure of the Sukuk Programme.

The SPO will be made publicly available on Avaland's corporate website at the time of issuance and throughout the tenure of the Proposed Sukuk Issuance as its ongoing commitment to transparency and integrity.

8.0 Continuous Enhancement

Avaland shall continuously enhance and improve its Framework and publish any supplementary content to the Framework (where required) on Avaland's corporate website.